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SUBJECT: CHAD'S CONFUSED FINANCES

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11. (C) Summary. IMF and Chad are on the verge of agreeing to an interim program that should lead back to a regular formal monitoring program in 2009. IMF rep Karangwa said new Finance Minister Ngoulou has the talent for the job, but is unproven in the rough and tumble politics of Chad's money management. Chad drew \$60 million from current accounts to pre-pay the World Bank oil loan, leaving unanswered why reserves were not used instead. Karangwa was uncertain as to who ought to take the next step in order for Chad and the World Bank to resume more active ties. He was anxious to learn the revenue implications of the Esso agreement as well as the status of the C-130 sale. End summary.

12. (C) I called on IMF resident representative Joseph Karangwa on September 22 in his office in the Central Bank tower, probably Ndjamenas's nicest office building. Karangwa summed up IMF ties as "promising" saying that agreement should soon be reached this week on an interim program that would lead to a more regular monitoring program next year. Karangwa said that because of conflict last February and excessive expenditures after that, Chad did not meet the requirements of its regular program. Thus an interim mechanism had to be employed in order to get back to normal. However, there are still shortcomings. For example, Chad pre-paid the World Bank oil sector loan with \$60 million drawn from current accounts rather than reserves, stating to Karangwa that reserve accounts were insufficient. Since those accounts had sufficient money in them last June, Karangwa must ask where did it go? and, how is the government going to flush up the robbed accounts?

13. (C) Karangwa said that the regional representative for the World Bank from Yaounde visited Ndjamenas about a week ago to follow-up resuming poverty reduction projects. Apparently, the bank wants hard reassurances and commitments prior to meeting with Prime Minister Abbas in Washington whereas Abbas understood that the office would be re-opened in Ndjamenas first. It is not clear who should make the next move. Karangwa said that the bank's withdrawal from the oil sector notwithstanding, Chad remains committed to spending oil revenues for poverty alleviation. He admitted that without the bank's oversight, confirmation of such would be difficult.

14. (C) The IMF representative said that new minister of Finance, Gata Ngoulou, clearly had the requisite talent for the post as he survived for ten years in the top management of the Central African regional bank in Yaounde. Karangwa was impressed in their first meetings, but commented that surmounting the hurly burly of Chad's internal monetary allocation process would take solid political skills.

15. (C) Karangwa asked for an update on the Esso agreement. We noted that the accord, which still had to be approved by the Council of Ministers and legislated by the National Assembly, would result in about \$200 million in accelerated revenue and

pre-paid taxes. Some of these funds could come fairly soon. We suggested that Karangwa ask the minister about revenue projections, noting that a spike now might mean dips later on. Karangwa will follow-up. Karangwa also asked about the C-130 sale. We advised that agreed-to-in-principle the \$600 million sale was moving forward through various bureaucratic and Congressional hurdles. Aircraft delivery was several years out. Karangwa asked to be kept up to date as the sale had debt implications for Chad.

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